



Request for City Council Committee Action From the Department of Public Works

Date: June 10, 2003
To: Honorable Sandra Colvin Roy, Chair Transportation & Public Works Committee
Referral to: Honorable Barbara Johnson, Chair Ways & Means Committee

Subject: Resolution recommending that Bassett Creek Water Management Commission fund its capital projects through an ad valorem tax

Recommendation:

Adopt a resolution to recommend Bassett Creek Water Management Commission seek 100% funding of capital projects through an ad valorem tax.

Prepared by: Kelly MacIntyre, Engineer I, (612) 673-3626

Approved by: Klara A. Fabry, P.E., Director of Public Works, City Engineer

Presenter: Paul W. Ogren, P.E. Director, Engineering Services
Patrick Wrase, P.E., Engineer III, Engineering Services

Financial Impact (Check those that apply)

☐ No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)

☐ Action requires an appropriation increase to the Capital Budget

☐ Action requires an appropriation increase to the Operating Budget

☐ Action provides increased revenue for appropriation increase

☐ Action requires use of contingency or reserves

☒ Other financial impact (Explain): The proposed resolution will not change the current City budget. Residents in the watershed will see an annual tax levy from Hennepin County for approximately \$4.00 per year per household for the implementation period of the CIP.

☐ Request provided to the Budget Office when provided to the Committee Coordinator

Background/Supporting Information:

Bassett Creek Water Management Commission (Commission) was established by a joint power's agreement between nine member cities in 1969. The nine member cities include: Crystal, Golden Valley, Medicine Lake, Minneapolis, Minnetonka, New Hope, Plymouth, Robbinsdale and St. Louis Park (Attachment A – Bassett Creek Water Management Commission Area). The goal of the Commission is to control flooding, and to maintain and enhance the quality of surface and ground water resources in the watershed.

The Commission is in the process of adopting a Second-Generation Water Management Plan to comply with the Metropolitan Surface Water Management Act. A key element of the Second-Generation Plan is a Capital Improvement Program (CIP) to address water quality and its funding mechanism. Currently, the Commission does not implement capital projects. The Commission is expected to vote on this matter on June 19.

Commission/Cities Cost Sharing Options: Two options were considered for project costs between the Commission and the member cities:

- Option 1: 100% Commission funding allows for the Commission to implement the CIP without relying on funding from the member cities.
- Option 2: 100% member city funding places the burden on the member cities and eliminates the incentive to do the capital projects.

Analysis: 100% Commission funding would allow the Commission to implement capital projects efficiently and cost effectively.

CIP Funding Options: The Commission is considering two options for the funding of the CIP under the joint powers agreement:

- Option 1: Assess member cities under the joint powers agreement on their portion of watershed area and on their portion of watershed tax capacity.
- Option 2: Levy an ad valorem tax to residents within the watershed through Hennepin County's taxing mechanism.

Option 1 would distribute costs to member cities based on their portion of area within the watershed and on tax capacity within the watershed. Member cities would be able to choose how to fund the capital projects. The funding options that were presented include storm water utility charges, a special storm sewer taxing district or special assessments. In Minneapolis, storm water projects are currently funded through the sewer enterprise fund. This option would add an additional financial burden to Minneapolis storm water capital improvement project responsibilities.

Option 2 would collect revenue from the residents of the watershed based on property tax valuation. This would remove the burden of raising the revenue from the member cities. This also allows residents to deduct the taxes from their personal income tax. Residents in the watershed will see an annual tax levy from Hennepin County for approximately \$4.00 per year per household for the implementation period of the CIP. Currently, in Minneapolis, the Minnehaha Creek Watershed District (MCWD) and the Mississippi Watershed Management Organization (MWMO) fund capital projects through tax levies within the watershed.

Analysis: It appears that Option 2 (tax for residents in the watershed) is favored by seven of the nine Commissioners. If Option 1 were chosen, the City would pay a fee and the residents who live in MCWD or MWMO would pay twice (see Attachment B – City of Minneapolis Watershed Management Boundaries). Option 2 creates a more equitable funding mechanism for watershed organizations in Minneapolis.

The cities that oppose a tax levy through the County are concerned about allowing a non-elected body to levy taxes. While this is a legitimate concern, there is an extensive review process for the Second Generation Plan and the CIP. The review process started when the CIP was drafted. There was input from a citizen advisory committee, a technical advisory committee, a policy advisory committee, and city staff. Once the Second-Generation Plan is submitted to the Board of Water and Soil Resources for approval, there is a sixty-day review process that includes State agencies and each of the member cities. A public hearing follows the sixty-day process and final revisions are made. The Board of Water and Soil Resources then reviews the Second Generation Plan for compliance with the Surface Water Management Act. Afterwards, the CIP is adopted. Once that has occurred, a public hearing is required to initiate County financing.

Recommendations: Staff recommends that the City Council adopt a resolution recommending that the Bassett Creek Water Management Commission be financed through 100% Commission funding and through an ad valorem tax that is to be levied by Hennepin County. This would place the responsibility of the costs to the residents within the watershed rather than the residents of Minneapolis as a whole. It also would be similar to the CIP funding mechanisms

being used by other watershed management organizations in Minneapolis creating more equitable funding for watersheds in the City.

Attachment A – Bassett Creek Water Management Commission Area

Attachment B – City of Minneapolis Watershed Management Boundaries

Cc: Council Member Johnson Lee

Council Member Goodman

Bassett Creek Watershed Management Commission